



NovaGold Resources Inc.

**First Quarter 2011
Consolidated Financial Statements with
Management's Discussion & Analysis**

February 28, 2011

(Unaudited)

Table of Contents

Management’s Discussion and Analysis	3
General	3
Description of business.....	3
Approach to business	3
Recent developments	3
Property review	4
Outlook	7
Results of operations	8
Selected financial data.....	9
Liquidity and capital resources	9
Related party transactions.....	10
Financial instruments	10
New accounting pronouncements.....	11
Critical accounting estimates.....	13
Risk factors	13
Cautionary notes	15
Consolidated Balance Sheets – Unaudited	17
Consolidated Statements of Operations and Deficit – Unaudited	18
Consolidated Statements of Comprehensive Loss – Unaudited	19
Consolidated Statements of Changes in Shareholders’ Equity – Unaudited.....	19
Consolidated Statements of Cash Flows – Unaudited	20
Notes to Consolidated Financial Statements	21
Appendix – Reserve & Resource Table	28

Management's Discussion and Analysis

General

This Management's Discussion and Analysis ("MD&A") of NovaGold Resources Inc. ("NovaGold" or "the Company") is dated April 13, 2011 and provides an analysis of NovaGold's unaudited financial results for the quarter ended February 28, 2011 compared to the same period in the previous year.

The following information should be read in conjunction with the Company's February 28, 2011 unaudited consolidated financial statements and related notes and with the Company's audited consolidated financial statements and related notes for the year ended November 30, 2010, which were prepared in accordance with generally accepted accounting principles in Canada ("Canadian GAAP"). The accounting policies as outlined in the annual consolidated financial statements have been consistently followed in preparation of the interim consolidated financial statements. All amounts are in Canadian dollars unless otherwise stated.

The Company's shares are listed on the Toronto Stock Exchange and the NYSE Amex LLC under the symbol "NG". Additional information related to NovaGold is available on SEDAR at www.sedar.com and on EDGAR at www.sec.gov.

Description of business

NovaGold is a precious metals company engaged in the exploration and development of mineral properties in Alaska, U.S.A. and British Columbia, Canada. The Company conducts its operations through wholly-owned subsidiaries, partnerships, limited liability companies and joint ventures. Since 1998, the Company has assembled a portfolio of projects, with 50% interests in two of the world's largest undeveloped gold and copper-gold projects — Donlin Creek and Galore Creek — 100% of the Ambler high-grade copper-zinc-gold-silver deposit and other exploration-stage properties. The Company is primarily focused on gold properties, some of which also have significant copper, silver and zinc resources. NovaGold has reduced some of the development risk at its two core projects by leveraging the development and operating expertise of its senior operating partners, Barrick Gold Corporation ("Barrick") and Teck Resources Limited ("Teck"). In addition, all of NovaGold's core properties are located in Alaska and British Columbia, regions with low geopolitical risk that have a long history of mining, established permitting standards and governments supportive of resource development.

Approach to business

NovaGold is focused on advancing its two core properties, Donlin Creek and Galore Creek, with the objective of becoming a low-cost million-ounce-a-year gold producer. NovaGold's business model focuses on five main steps: identifying high-quality assets and making strategic, timely acquisitions; engaging with local communities; using exploration expertise to expand existing deposits; advancing the projects to a feasibility level to bring reserves to the Company and value to shareholders; and creating strong partnerships with well-respected senior producers to advance the projects to production. NovaGold will continue to leverage its exploration and development expertise to bring additional resources and value to shareholders. The Company also recognizes the value of strong partnerships and a strong team, and looks for opportunities to acquire or partner in new projects that can bring talented people to the Company and value to NovaGold shareholders.

Responsible mining and community collaboration continues to be a trademark of NovaGold's business strategy at all of its projects. NovaGold published its first sustainability report in 2010 and will publish its second report in May 2011 with the objective of providing an overview of the Company's commitment and approach to sustainability, its challenges and successes at the projects and its goals for future years. The report demonstrates the Company's commitment to accountability and transparent disclosure and will allow NovaGold to more effectively monitor progress as it strives for continuous improvement and best practices in responsible mining. NovaGold believes that long-lasting social and economic benefits can flow to the communities in which it operates. Through continuous collaboration with Alaskan Native and BC First Nation groups from the outset at each project, NovaGold considers the long-term impacts and benefits of operations for stakeholders when developing its projects and reduces development risk for its shareholders.

Recent developments

In May 2006 NovaGold acquired Coast Mountain Power Corp. ("Coast Mountain") and all of its assets for 2.5 million shares of the Company valued at \$44.4 million with an additional \$15.6 million future income tax impact. The total valuation of \$60.0 million included a number of early-stage run-of-river hydroelectric projects and the 138kV power transmission rights to build a power line from Meziadin Junction to Bob Quinn to bring power to the Galore Creek project. Given the early stage of the hydroelectric projects, the full value was allocated to the transmission rights which were transferred out of Coast Mountain to the Galore Creek Partnership. Over two years, NovaGold spent approximately \$6.7 million to advance the Forrest Kerr run-of-river project to a feasibility level. In 2008, the Company received \$38.7 million cash for the sale of Coast Mountain

Management's Discussion and Analysis

hydroelectric projects and recorded a \$32.0 million gain on the disposition. The power transmission rights remained with the Galore Creek Partnership. In 2010 the Canadian Federal and British Columbia Provincial Governments announced their intention to build a high-capacity 287-kV transmission line ("NTL") in northwestern British Columbia that would follow roughly the same route from Meziadin Junction to Bob Quinn. On February 23, 2011, the NTL project received provincial environmental assessment approval and construction is expected to begin in spring 2011. Construction of the NTL is positive news for the region and for the Galore Creek project. NTL construction means that the Galore Creek Mining Corporation will not need to build its own transmission line to bring power to the Galore Creek project, and management has accordingly impaired the full value of the 138kV power transmission rights for \$52.7 million and recorded a related future income tax recovery of \$9.7 million. Because the Galore Creek project is jointly owned by NovaGold and Teck, the Company has recorded a corresponding offset to non-controlling interest for the impairment in the amount of \$13.8 million.

In December 2010, NovaGold announced a takeover bid for Copper Canyon Resources Ltd., ("Copper Canyon"), a junior exploration company listed on the TSX Venture Exchange. Copper Canyon's principal asset is its 40% joint venture interest in the Copper Canyon copper-gold-silver property that is adjacent to the Galore Creek project. A wholly-owned subsidiary of NovaGold owns the remaining 60% joint venture interest in the Copper Canyon property. On March 7, 2011, NovaGold and Copper Canyon agreed to a plan of arrangement transaction (the "Arrangement") whereby Copper Canyon's shareholders will receive common shares of NovaGold on the basis of 0.0735 of a NovaGold common share for each common share of Copper Canyon, which is expected to result in approximately 4,216,515 common shares of the Company being issued. The terms of the Arrangement are reflected in a definitive arrangement agreement (the "Arrangement agreement") entered into between NovaGold and Copper Canyon on March 18, 2011. The purchase price has been preliminary estimated at \$56.4 million using the March 7, 2011 TSX closing share price of \$13.49 per NovaGold share. The estimated transaction costs are approximately \$1.3 million. The final consideration may vary materially from these estimates based on the stock price at the closing of the proposed transaction. The transaction will be accounted for as a purchase of assets. As part of the Arrangement, Copper Canyon's shareholders will also receive one common share of a newly incorporated company ("SpinCo") for every four Copper Canyon common shares. SpinCo will hold substantially all of Copper Canyon's assets other than certain cash and Copper Canyon's 40% joint venture interest in the Copper Canyon copper-gold-silver property, which will remain with Copper Canyon. Pursuant to the terms of the Arrangement agreement, NovaGold will also invest approximately \$2.5 million to own 9.9% of the issued and outstanding shares of SpinCo. The boards of directors of both NovaGold and Copper Canyon have unanimously approved the transaction. The arrangement remains subject to approval by Copper Canyon's shareholders and the satisfaction of various other closing conditions. Assuming satisfaction of the conditions, the acquisition of Copper Canyon is expected to close by the end of May 2011.

As part of the Company's strategy to realize value from its non-core assets, on March 14, 2011, NovaGold announced the sale of its alluvial gold properties comprising 11,500 acres of fee-simple United States patented mining claims near Nome, Alaska. The claims were held by NovaGold's wholly-owned subsidiary, Alaska Gold Company. Nome Gold Alaska Corp. will pay Alaska Gold Company US\$21.0 million in three installments, and will also provide a letter of credit for US\$4.0 million as an environmental reclamation bond. The land package and the reclamation bond are provided by the buyer as security for the installment payments. NovaGold continues to solicit offers for the balance of its land package around Nome, Alaska, including valuable in-town real estate lots and substantial sand and gravel holdings, as well as its Rock Creek and Big Hurrah gold projects.

NovaGold continues to expand its senior management team to ensure the Company has the experience and expertise needed to advance its core properties and add value for shareholders. In February 2011 Elaine Sanders was appointed to the position of Vice President and Chief Financial Officer of the Company, and in December 2010 NovaGold announced the appointment of Ron Rimelman as Vice President, Environmental, Health, Safety and Sustainability ("EHSS"). In April 2011, Greg Martin joined NovaGold as Vice President, Business Development & Treasurer.

Property review

Donlin Creek

Donlin Creek is one of the world's largest known undeveloped gold deposits, with an update to the feasibility study in progress and pre-permitting activities underway. Donlin Creek is owned and operated by Donlin Creek LLC, a limited liability company that is owned 50% by a wholly-owned subsidiary of NovaGold and 50% by a wholly-owned subsidiary of Barrick. The 81,361 acre (32,926 hectare) property is located primarily on private, Alaskan Native-owned land, with surface rights owned by The Kuskokwim Corporation and sub-surface rights owned by Calista Corporation. Donlin Creek LLC is committed to working with its Alaskan Native partners to establish collaborative relationships that benefit all stakeholders as the property advances. The Donlin Creek property hosts a number of deposits and the current reserves and resources are contained within just 3 km of the 8 km district, with significant exploration potential remaining in the Donlin Creek district.

Management's Discussion and Analysis

A reserve/resource update in March 2010, which incorporated additional drilling and an increase in gold price assumptions, estimated 33.6 million ounces of proven and probable gold reserves averaging 2.2 grams per tonne gold, 4.3 million ounces of measured and indicated resources and an additional 4.4 million ounces of inferred resources. With estimated production of more than one million ounces of gold annually for at least 25 years, Donlin Creek would be one of the world's largest gold-producing mines.

The 2010 work program completed the majority of the environmental and engineering studies required to review the option of using natural gas as the primary power source at the mine site rather than using diesel to generate power, as contemplated in the 2009 feasibility study. Donlin Creek LLC had discussions with gas suppliers and engaged an energy consultant to lead the gas line studies; an analysis on the impacts to project infrastructure related to transportation and logistics is ongoing. The natural gas option would require building a 12-inch buried pipeline that would run approximately 315 miles from the Cook Inlet to the Donlin Creek site. Donlin Creek LLC worked with multiple regulatory agencies, consultants and contractors to initiate environmental baseline and engineering studies along the proposed pipeline corridor, consulted stakeholders along the pipeline corridor, and reviewed approval and permitting requirements.

Using natural gas to generate power could result in a reduction to operating costs; power accounts for 25% of estimated project operating costs. The capital cost to build the pipeline could be partially offset by cost savings from elimination of the wind cogeneration facility, the potential for a shorter access road and a significant reduction in requirements for diesel storage, with some additional cost reduction opportunities. The potential impact of the pipeline option on capital and operating costs will be addressed in a revision to the project feasibility study, anticipated to be completed in the second half of 2011.

Activities at the Donlin Creek project during the first quarter focused on the revision to the feasibility study update for the pipeline option, permitting support studies and community outreach programs. The Donlin Creek LLC has spent approximately US\$9.2 million in the quarter which is below its first quarter budget of US\$9.4 million due to slight timing delay on the camp expenditures which is expected to catch up next quarter. The 2011 work program will focus on completing the feasibility study revision and preparing to file permit applications for the project.

Due to the accounting rules under Accounting Guideline-15 for Variable Interest Entity accounting, NovaGold continues to record its interest in the Donlin project as an equity investment, which results in all of NovaGold's funding being recorded in the income statement as equity loss, and any unspent funding to Donlin Creek LLC being recorded in the balance sheet on the equity investment line.

Galore Creek

Galore Creek, a large copper-gold-silver project located in northwestern British Columbia, is held by a partnership in which NovaGold and Teck each own a 50% interest and is managed by Galore Creek Mining Corporation ("GCMC"). The 293,838 acre (118,912 hectare) property holds a large undeveloped porphyry-related copper-gold-silver deposit. A resource estimate for the Galore Creek project totals measured and indicated resources of 8.9 billion pounds of copper, 7.3 million ounces of gold and 123 million ounces of silver, with additional inferred resources (including the Company's share of the Copper Canyon deposit, of which NovaGold owns 60%) of 3.5 billion pounds of copper, 3.3 million ounces of gold and 61 million ounces of silver.

During 2010, GCMC focused its efforts on care and maintenance of the existing infrastructure at the Galore Creek project. GCMC has also been reviewing a number of optimization scenarios for the Galore Creek project with the objective of improving project economics, relocating the project facilities to allow for easier construction and future expansion, and reducing the risks associated with construction and operations. Based on these studies, GCMC has identified a preferred project design and initiated a pre-feasibility study for the optimized mine plan, with completion scheduled for Q2-2011. The pre-feasibility study will provide capital cost estimates, permitting, construction and production timelines, and an updated resource estimate using long-term commodity price estimates. Compared with previous studies, changes to the project include:

- Relocation of the tailings facility allowing for construction of a conventional tailings dam;
- Relocation of the processing facilities allowing for future expansion;
- Realignment of the tunnel and access road; and
- An increase of daily throughput to approximately 90,000 tonnes per day.

Current plans envision the ore being crushed in the valley and then conveyed through the tunnel and along the access road to the processing plant. From there, concentrate would be piped along the remainder of the access road to Hwy 37. A trade-off study will identify the best alternative for transport of concentrate to market. The project would primarily use electric power, with a power line built along the access road to tie into the 287-kV transmission line ("NTL") that the British Columbia and Canadian Governments have announced their intention to build. In February 2011, the Minister of Mines and the Minister of the Environment approved the Environmental Assessment certificate for the NTL. British Columbia Hydro and Power Authority

Management's Discussion and Analysis

still needs to obtain the necessary provincial licenses, leases and other approvals, but it is expected that construction of the NTL will start in spring 2011.

Some components of the revised Galore Creek mine plan, such as the mill and tailings location, would require new permits or amendments to existing permits. The majority of permits required for road construction remain in good standing. GCMC may continue with road and bridge work as the project moves through the feasibility stage, with the objective of shortening the construction timeline and reducing the need for helicopter support. Depending on the results of the pre-feasibility study, the project may move directly into feasibility and permitting. Completion of the pre-feasibility study should also allow NovaGold to add additional gold reserves and new copper and silver reserves to its portfolio.

Activities during the first quarter at the Galore Creek site focused on care and maintenance of existing infrastructures and roads. Activities off-site focused on finishing the studies required to complete the pre-feasibility study. GCMC spent approximately \$4.3 million in Q1-2011 which consists of \$2.5 million in care and maintenance costs and \$1.8 million on pre-feasibility study costs. Under the terms of the Galore Creek Partnership Agreement, Teck is funding all costs for the project until it completes its earn-in obligations. At February 28, 2011, the Galore Creek Partnership had cash of \$1.5 million and Teck had approximately \$8.9 million remaining in project contributions to earn its 50% interest in the project.

Due to accounting rules under Accounting Guideline-15 for Variable Interest Entity accounting, NovaGold continues to consolidate 100% of the activities of GCMC on the income statement, and the Galore Creek asset and a non-controlling interest for Teck's contributions on the balance sheet.

Ambler

On January 11, 2010, the Company purchased 100% of the Ambler project, which hosts the high-grade copper-zinc-gold-silver Arctic deposit. To complete the purchase, the Company issued 931,098 common shares to Kennecott with a market value of approximately US\$5.0 million, with a commitment for future cash payments to Kennecott of US\$12.0 million each in January 2011 and January 2012. The January 2011 payment was made. Kennecott retained a 1% net smelter return royalty that NovaGold can purchase at any time for a one-time payment of US\$10.0 million.

Ambler is an exploration-stage property located in Alaska comprising 90,614 acres (36,670 hectares) of Federal patented and unpatented mining claims and State of Alaska mining claims, covering a major portion of the precious-metal-rich Ambler volcanogenic massive sulfide belt. A resource estimate for the Arctic deposit shows 16.8 million tonnes of indicated resource grading 4.1% copper and 6.0% zinc and 11.9 million tonnes of inferred resource grading 3.6% copper and 5.0% zinc for contained metal totaling indicated resources of 1.5 billion pounds of copper, 2.2 billion pounds of zinc, 450,000 ounces of gold, 32 million ounces of silver and 350 million pounds of lead, with additional inferred resources of 937 million pounds of copper, 1.3 billion pounds of zinc, 260,000 ounces of gold, 19 million ounces of silver and 210 million pounds of lead. NovaGold has a solid record of identifying exploration opportunities and bringing value to shareholders by expanding resources through exploration success. The Company feels there is excellent potential to expand the existing resources at the Arctic deposit and locate new high-quality resources in nearby areas, as well as identify new exploration targets in the district.

Work at the property during 2010 focused on initiating preliminary work for environmental and engineering studies necessary to initiate a pre-feasibility study. The Company also has been working on preparing a preliminary economic assessment report that will provide an initial assessment on project economics. Until the Ambler camp reopens in late spring for the 2011 work season, project activities are focused on community engagement and opportunities to consolidate NovaGold's land package in the district. The Company has focused on community engagement, hiring of site staff and planning for camp start up during this time and has spent approximately US\$0.2 million in the first quarter.

Nome Operations

NovaGold's Nome Operations comprises three properties: Rock Creek, Big Hurrah and Nome Gold. The properties are located on the Seward Peninsula in Alaska, an area with historical gold production and well-maintained roads and infrastructure. The most advanced property is Rock Creek, which is currently in care and maintenance.

During the third quarter of 2010, the Company assessed the estimated recoverability of the Rock Creek project resulting in an asset impairment for the year of \$116.4 million and a remaining value of \$nil. The Company is currently soliciting offers to sell the Rock Creek project to provide more information to the Company's Board of Directors. The Board of Directors will make a decision as to the future of the Rock Creek project following completion of the solicitation of offers. This decision may involve the sale of Rock Creek or its permanent closure.

Management's Discussion and Analysis

The Company worked diligently in 2009 and 2010 to improve the project's water management structures. During the first quarter of 2011 the Company expended US\$2.6 million at Rock Creek, which is on budget. NovaGold has an aggregated budgeted of US\$8.5 million at Rock Creek for 2011 with a focus on continuing to meet permit requirements and environmental responsibilities. The Company is also preparing an updated closure plan for Rock Creek in the event that the Company's Board of Directors chooses to close and reclaim the property.

In March 2011, NovaGold announced the sale of the 11,500 acres comprising its Nome Gold project. NovaGold's wholly-owned subsidiary, Alaska Gold Company, will receive US\$21.0 million in three installments, and the buyer will also provide a letter of credit for US\$4.0 million as an environmental reclamation bond. NovaGold is focused on advancing its Donlin Creek and Galore Creek projects toward production and is divesting its non-core assets to allow the Company to focus its time and resources on its core properties.

NovaGold will continue to assess the value of its other assets in the Nome area, which include Big Hurrah, a sand and gravel business and a modest land package.

Other properties

The Company continues to explore earlier-stage exploration projects that have not advanced to the resource definition stage. The Company also earns \$0.5 to \$1.2 million annually from the sale of sand, gravel and land and royalties from placer gold production, largely from its holdings around Nome, Alaska.

Additional information concerning reserves and resources can be found in Appendix – Reserve and Resource Table.

Outlook

At February 28, 2011, the Company had cash and cash equivalents of \$129.3 million and working capital of \$112.1 million.

The Company is focused on advancing its two core properties, Donlin Creek and Galore Creek. At the Donlin Creek project, Donlin Creek LLC has an approved 2011 budget of approximately US\$41.0 million of which the Company's 50% share is approximately US\$20.5 million. The 2011 work program will focus on completing the feasibility revision to incorporate the natural gas pipeline, and preparing permit applications for the project. The feasibility revision will provide operating costs using natural gas rather than diesel as the primary power source for the project, and will also use more recent gold prices and capital inputs to provide updated capital and cash flow estimates. During 2011, Donlin Creek LLC will continue to consult with stakeholders and solicit feedback from local communities and its Alaskan Native partners as well as State and Federal regulatory agencies. The Donlin Creek LLC has budgeted to spend US\$12.7 million in the second quarter on environmental studies and feasibility revision activities. The feasibility revision should be complete in the second half of 2011, at which point Donlin Creek LLC is expected to proceed to prepare and file permit applications for the project.

At the Galore Creek project, GCMC has an approved 2011 budget of approximately \$12.3 million to focus on community engagement and completing the pre-feasibility study. Teck is currently contributing 100% of the funding for the Galore Creek project under the amended terms of the Galore Creek Partnership Agreement. Based on the 2011 budget, it is anticipated that Teck will complete its funding by mid-2011. Depending on the results of the pre-feasibility study, GCMC may consider resuming road construction and initiating feasibility and permitting activities to advance Galore Creek toward a construction decision. A preliminary budget has been discussed and would be refined for these activities at the time a decision is made to proceed. GCMC has maintained a very positive relationship with the Tahltan Nation and regulators during this period of review and optimization, and expect full support to resume road construction should NovaGold and Teck agree to advance the project following the results of the pre-feasibility study. GCMC forecasts to spend \$5.3 million budget in the second quarter on care and maintenance activities and optimization reviews for the pre-feasibility study results. The pre-feasibility study is on track for completion towards the end of Q2-2011.

At the Ambler project, NovaGold has budgeted approximately US\$10.0 million for additional studies to determine the environmental and engineering aspects of developing the Arctic deposit, as well as exploration and geotechnical drilling at site. The Company continues to work with NANA Corporation to establish an agreement for collaborative development of the Ambler region, including district consolidation and infrastructure development that would benefit both the project and local communities. Management has been working actively with the State of Alaska in discussions regarding the Ambler Mining District Transportation Access. Site activities are limited during the first quarter due to the remoteness of the project. The Company has budgeted to spend a further \$3.1 million in the second quarter on exploration activities. Exploration activities are planned to start in April with a focus on additional exploration, which is anticipated to add resources and with continued environmental and engineering studies.

Management's Discussion and Analysis

At the Rock Creek project, the Company has budgeted approximately US\$8.5 million for care and maintenance activities. These costs may be reduced if the project is sold during the year. The Company has budgeted to spend US\$2.6 million during the second quarter on managing storm water management activities. The Company is also preparing an updated closure plan for the project in the event that the Company's Board of Directors chooses to close and reclaim the property.

Results of operations

*in thousands of Canadian dollars,
except for per share amounts*

	Three months ended February 28, 2011 \$	Three months ended February 28, 2010 \$
Asset impairment – power transmission rights		
Impairment charge	52,668	-
Loss attributable to non-controlling interest	(13,779)	-
Future income tax recovery	(9,722)	-
Equity loss	4,621	2,487
Foreign exchange gain	(993)	121
Interest and accretion	3,732	3,661
Mineral properties expense	2,568	219
Project care and maintenance (Galore Creek)	2,471	1,236
Project care and maintenance (Rock Creek)	2,575	6,640
Salaries, severance and payroll taxes	2,469	1,275
Loss for the period	67,356	19,412
Basic and diluted loss per share attributable to the shareholders of the Company	0.22	0.10

For the three-month period ended February 28, 2011, the Company reported a net loss of \$67.4 million (or \$0.22 basic and diluted loss per share) compared to a net loss of \$19.4 million (or \$0.10 basic and diluted loss per share) for the corresponding period in 2010. This variance was mainly due to the non-cash asset impairment of the power transmission rights which resulted in an impairment charge of \$52.7 million, of which \$13.8 million was attributable to non-controlling interest and \$9.7 million of future income tax recovery.

Other important variances for the three months ended February 28, 2011 compared with the same period in 2010 are as follows: (a) a \$4.6 million equity loss in 2011 compared with \$2.5 million in 2010, due to the increased level of activity for the gas pipeline studies at Donlin Creek during the first quarter of 2011; (b) a \$2.6 million mineral properties expense in 2011 compared with \$0.2 million in 2010 due to the increased level of activity for the Galore Creek pre-feasibility study and the exploration work the Ambler project during the first quarter of 2011; and (c) a \$2.6 million project care and maintenance expense in 2011 compared with \$6.6 million in 2010 mainly due to the decreased level of activity required in 2011 compared to Q1 2010, where the Company was improving on the tailings pond infrastructure and water treatment activity in Rock Creek.

Expenses for the three-month period ended February 28, 2011 were \$22.2 million compared to \$19.5 million for the same period in 2010. This was primarily due to an increased exploration expense of \$2.6 million compared to \$0.2 million for the same period in 2010 as the result of an increased level of activity for the Galore Creek pre-feasibility study and exploration work at the Ambler project. The Company recorded an expense of \$3.5 million compared with \$2.1 million for stock-based compensation during the same periods in 2011 and 2010, respectively; the increase is due to higher valuations for the stock option and performance share unit ("PSU") issued as a result of the higher stock price. During the first quarter of 2011, the Company granted 1,064,700 stock options and 244,000 PSUs to employees, consultants and directors.

Management's Discussion and Analysis

Selected financial data

Quarterly information

The following unaudited quarterly information is prepared in accordance with Canadian GAAP.

*in thousands of Canadian dollars,
except per share amounts*

	02/28/11	11/30/10	8/31/10	5/31/10	2/28/10	11/30/09	8/31/09	5/31/09
	\$	\$	\$	\$	\$	\$	\$	\$
Net revenues	103	172	334	67	26	290	331	226
Earnings (loss) for the quarter	(67,356)	(24,462)	(150,875)	(16,813)	(19,412)	(28,845)	(20,435)	(6,140)
Earnings (loss) per share – basic	(0.22)	(0.14)	(0.68)	(0.08)	(0.10)	(0.12)	(0.11)	(0.03)
Earnings (loss) per share – diluted	(0.22)	(0.14)	(0.68)	(0.08)	(0.10)	(0.12)	(0.11)	(0.03)

Factors that can cause fluctuations in the Company's quarterly results include the timing of stock option grants, foreign exchange gains or losses related to the Company's U.S. dollar-denominated debt when the Canadian dollar exchange rate fluctuates, disposal of assets or investments, and events such as the suspension of construction activities at the Galore Creek project or the suspension of commissioning at the Rock Creek project and subsequent activities related thereto. During the second quarter in 2009, the Company had a foreign exchange gain of \$16.1 million. During the third quarter in 2009, the Company incurred a total of \$12.0 million in interest and accretion and care and maintenance. During the last quarter of fiscal 2009, the Company incurred a \$9.1 million loss on disposal of property, plant and equipment by GCMC as certain road construction equipment and facilities were sold as the road progressed; also, the Company incurred a total of \$18.1 million in interest and accretion and care and maintenance. During the first quarter of 2010, the Company incurred \$11.5 million in interest and accretion and care and maintenance. During the second quarter of 2010, the Company incurred \$13.6 million on salaries, exploration and care and maintenance. During the third quarter of 2010, the Company recorded an impairment loss on the Rock Creek project for the year of \$116.4 million and a \$7.5 million inventory write down. During the last quarter of fiscal 2010, the Company incurred a total of \$17.9 million in care and maintenance and exploration activities. During the first quarter of 2011, the Company recorded an impairment loss on the Galore Creek project of \$52.7 million related to its power transmission rights; also, the Company incurred \$8.8 million in interest and accretion and care and maintenance. The Company's properties are not yet in production; consequently, the Company believes that its loss (and consequent loss per share) is not a primary concern to investors in the Company.

Liquidity and capital resources

At February 28, 2011, the Company had \$129.3 million in cash and cash equivalents, of which \$1.5 million was held by GCMC for the Galore Creek project. The Company expended \$20.0 million on operating activities during the three-month period ended February 2011, compared with expenditures of \$16.3 million for operating activities for the same period in 2010. The increase is mostly due to the increase in activities at the Donlin Creek, Galore Creek and Ambler projects.

During the quarter, the Company generated \$3.1 million in cash from financing activities compared with \$0.2 million in the same period in 2010. The Company received \$10.7 million from warrant exercises and \$4.3 million from Teck's earn-in contribution to GCMC and paid \$11.9 million for a Note payable, with no comparative amounts for the same period in 2010.

During the quarter, the Company expended \$5.5 million on investing activities compared with \$4.3 million in 2010. The Company funded \$5.4 million for its share of exploration costs at the Donlin Creek project compared to \$3.6 million for the same period in 2010.

The Company has no material off-balance sheet arrangements.

Management's Discussion and Analysis

Contractual obligated undiscounted cash flow requirements, excluding operating leases, as at February 28, 2011 are as follows.

*in thousands of Canadian dollars,
unless otherwise specified*

	Total \$	< 1 Year \$	1–2 Years \$	2–3 Years \$	3–4 Years \$	4–5 Years \$	Thereafter \$
Accounts payable and accrued liabilities	9,717	9,717	-	-	-	-	-
Capital leases	896	698	198	-	-	-	-
Asset retirement obligations	23,857	7,890	2,297	-	-	-	13,670
Other notes payable	US\$11,306	US\$11,306	-	-	-	-	-
Convertible notes – interest (a)	US\$21,685	US\$5,225	US\$5,225	US\$5,225	US\$5,225	US\$785	-
Convertible notes – holders option (a)	US\$95,000	-	-	-	US\$95,000	-	-
Promissory note	US\$62,203	-	-	-	-	-	US\$62,203

- (a) The Convertible notes (“Notes”) mature on May 1, 2015. The holders of the Notes have the right to require the Company to repurchase all or part of their Notes on May 1, 2013 and upon certain fundamental corporate changes at a price equal to 100% of the principal amount of such Notes plus any accrued and unpaid interest.

The future minimum payments under operating leases at February 28, 2011 are approximately as follows.

in thousands of Canadian dollars

	Operating leases \$
2011	608
2012	629
2013	571
2014	580
2015	662
Thereafter	1,358
Total	4,408

The Company's cash balances are largely invested in bank and non-asset backed commercial paper all with the two highest possible investment ratings and that can be easily liquidated with terms of 90 days or less.

Related party transactions

The Company has arms-length market based agreements to provide certain services to TintinaGold Resources Inc. (“TintinaGold”) and Alexco Resource Corp. (“Alexco”). Under the agreements the services provided were \$2,000 for the three months ended February 28, 2011 (2010: \$0.01 million) to TintinaGold, a related party having one director and a major shareholder in common with the Company; and \$4,000 for the three months ended February 28, 2011 (2010: \$0.01 million) to Alexco, a related party having two directors in common with the Company. The Company also provided exploration and management services totaling US\$0.4 million for the three months ended February 28, 2011 (2010: US\$0.4 million) to Donlin Creek LLC. These transactions were in the normal course of business and are measured at the exchange amount, which is the amount agreed to by the parties. At February 28, 2011, the Company had a \$0.4 million receivable (November 30, 2010: \$0.2 million) from related parties.

Financial instruments

The Company's financial instruments are exposed to certain financial risks, including currency risk, credit risk, liquidity risk, interest risk and price risk.

- (a) Currency risk

The Company is exposed to financial risk related to the fluctuation of foreign exchange rates. The Company operates in Canada and the United States and a portion of its expenses are incurred in U.S. dollars. A significant change in the currency exchange rates between the Canadian dollar relative to the U.S. dollar could have an effect on the Company's results of operations, financial position or cash flows.

Management's Discussion and Analysis

The Company has not hedged its exposure to currency fluctuations. At February 28, 2011, the Company is exposed to currency risk through the following assets and liabilities denominated in U.S. dollars.

	<i>in thousands of U.S. dollars</i>	
	February 28, 2011	November 30, 2010
Cash and cash equivalents	113,370	125,164
Accounts receivables	365	148
Reclamation deposits	6,845	6,845
Accounts payable and accrued liabilities	(5,134)	(4,718)
Other notes payable	(11,306)	(23,026)
Amounts payable to Barrick – long term	(62,203)	(61,401)
Convertible notes	(61,670)	(60,278)
Total	(19,733)	(17,266)

Based on the above net exposures, and assuming that all other variables remain constant, a 10% depreciation or appreciation of the Canadian dollar against the U.S. dollar would result in an increase/decrease of \$2.0 million in the Company's net earnings.

(b) Credit risk

Credit risk is the risk of an unexpected loss if a customer or third party to a financial instrument fails to meet its contractual obligations.

The Company's cash equivalents and short-term investments are held through large Canadian financial institutions. Short-term and long-term investments (including those presented as part of cash and cash equivalents) are composed of financial instruments issued by Canadian banks and companies with high investment-grade ratings. These investments mature at various dates over the current operating period. The Company's accounts receivables consist of general sales tax due from the Federal Government of Canada and amounts due from related parties.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Company's maximum exposure to credit risk.

(c) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they come due. The Company manages liquidity risk through the management of its capital structure and financial leverage. Accounts payable, accrued liabilities and coupon interest on the Notes are due within one year from the balance sheet date.

(d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The risk that the Company will realize a loss as a result of a decline in the fair value of the short-term investments included in cash and cash equivalents is limited because these investments, although available-for-sale, are generally held to maturity. In respect of financial liabilities, convertible notes and capital leases are not subject to interest rate risk because they are at fixed rates. The promissory note owed to Barrick is variable with the U.S. prime rate. Based on the amount owing on the promissory note as at February 28, 2011, and assuming that all other variables remain constant, a 1% change in the U.S. prime rate would result in an increase/decrease of \$0.6 million in the interest accrued by the Company per annum.

(e) Price risk

The Company is exposed to price risk with respect to commodity prices. The Company closely monitors commodity prices to determine the appropriate course of action to be taken. The Company does not currently have any hedging or other commodity-based risk management programs respecting its operations.

New accounting pronouncements

The accounting policies followed by the Company are set out in note 3 to the audited consolidated financial statements for the year ended November 30, 2010, and have been consistently followed in the preparation of these consolidated financial statements.

Management's Discussion and Analysis

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method and related disclosures. In addition, the CICA issued Section 1601, "Consolidated Financial Statements", and Section 1602, "Non-controlling Interests", which replace the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. These standards apply prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011, with earlier application permitted. The Company adopted these pronouncements at December 1, 2010; the result from this adoption led to the non-controlling interest balance classified as shareholders' equity on the consolidated balance sheet and loss attributable to non-controlling interest on the statement of operations and deficit.

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canadian GAAP. The changeover date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of December 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the fiscal year commencing December 1, 2010.

The Company has commenced the process to transition from Canadian GAAP to IFRS. The transition process consists of three primary phases:

- Scoping and diagnostic phase
- Impact analysis, evaluation and design phase
- Implementation and review phase

Scoping and diagnostic phase – A preliminary diagnostic review was completed by an external consultant and included the determination, at a high level, of the financial reporting differences under IFRS and the key areas that may be impacted. The areas with the highest potential impact were identified to include the basis of consolidation, related party transactions, impairment of assets, financial instruments and initial adoption of IFRS under the provisions of IFRS 1.

Analysis, quantification and evaluation phase – In this phase, each area identified from the scoping and diagnostic phase will be addressed in order of descending priority. This phase involves specification of changes required to existing accounting policies, information systems and business processes, together with an analysis of policy alternatives allowed under IFRS and development of draft IFRS financial statement content. The Company is currently undergoing this process and is expected to complete this phase by the second quarter of 2011. The Company anticipates that there will be changes in accounting policies and that these changes may materially impact the financial statements. The areas where the Company expects material differences relate to U.S. dollar-denominated convertible debt and warrants where, under IFRS, the instruments are not considered to be linked to the Company's own equity as they are denominated in a currency other than the Company's functional currency. Management is continuing to evaluate the differences and the full impact on future financial reporting is not reasonably determinable or estimable at this time.

Implementation and review phase – This phase includes execution of any changes to information systems and business processes and completing formal authorization processes to approve recommended accounting policy changes. It will also include the collection of financial information necessary to compile IFRS-compliant financial statements and audit committee approval of IFRS financial statements.

IFRS 1, "First-Time Adoption of International Financial Reporting Standards", provides entities adopting IFRS for the first time with a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. The various accounting policy choices available are being assessed and those determined to be most appropriate to the Company's circumstances will be implemented.

The International Accounting Standard Board currently has projects underway that are expected to result in new pronouncements and, as a result, IFRS as at the transition date is expected to differ from its current form. The final impact of IFRS on the Company's financial statements will only be determined once all applicable standards at the conversion date are known.

Management's Discussion and Analysis

Critical accounting estimates

The most critical accounting estimates upon which the Company's financial status depends are those requiring estimates of the recoverability of its capitalized mineral property expenditures and intangible assets, impairment of long-lived assets and the amount of future reclamation obligations.

Mineral properties and development costs

The Company expenses mineral property exploration expenditures when incurred. When it has been established that a mineral deposit is commercially mineable and an economic analysis has been completed, the costs subsequently incurred to develop a mine on the property prior to the start of mining operations are capitalized and will be amortized against future production following commencement of commercial production, or written off if the property is sold, allowed to lapse or abandoned. The Rock Creek project was impaired during the year ended November 30, 2010 and an impairment loss was proportionately allocated to mineral properties and development costs. There can be no assurances that the subsequent decision to sell or reclaim the project would result in a material gain on sale or accrual of closure costs, which would be incurred when a decision is made.

The acquisition of title to mineral properties is a complicated and uncertain process. The Company has taken steps, in accordance with industry standards, to verify title to mineral properties in which it has an interest. Although the Company has made efforts to ensure that legal title to its properties is properly recorded in the name of the Company, there can be no assurance that such title will ultimately be secured.

Reclamation costs

The amounts recorded for reclamation costs are estimates based on independent third party engineering studies and the Company's assessment of the work that is anticipated to remediate old mine workings of the Company's Nome Gold site, exploration and road remediation at the Galore Creek project, and the Rock Creek mine site. An asset retirement obligation ("ARO") is recognized initially at fair value with a corresponding increase in the related asset. The ARO is accreted to full value over time through periodic charges to operations. The Galore Creek reclamation obligation has not been discounted due to the uncertainty of timing of when the costs will be incurred. Actual costs incurred during reclamation and the timing of when the costs will be incurred could be materially different from these estimates.

Risk factors

The Company and its future business, operations and financial condition are subject to various risks and uncertainties due to the nature of its business and the present stage of exploration and development of its mineral properties. Certain of these risks and uncertainties are set out below and under the heading "Risk factors" in NovaGold's Annual Information Form for the year ended November 30, 2010 available on SEDAR at www.sedar.com and EDGAR at www.sec.gov.

Ability to continue exploration activities and any future development activities, and to continue as a going concern, will depend in part on the ability to commence production and generate material revenues or to obtain suitable financing

NovaGold has limited financial resources. The Company intends to fund its plan of operations from working capital, the proceeds of financings and revenue from land and gravel sales. In the future, the Company's ability to continue its exploration and development activities, if any, will depend in part on the Company's ability to obtain suitable financing.

There can be no assurance that the Company will commence production at any of its mineral properties, generate sufficient revenues to meet its obligations as they become due or obtain necessary financing on acceptable terms, if at all. The Company's failure to meet its ongoing obligations on a timely basis could result in the loss or substantial dilution of the Company's interests (as existing or as proposed to be acquired) in its properties. In addition, should the Company incur significant losses in future periods, it may be unable to continue as a going concern, and realization of assets and settlement of liabilities in other than the normal course of business may be at amounts materially different than the Company's estimates.

Exploration and development

Mineral exploration and development involves a high degree of risk and few properties that are explored are ultimately developed into producing mines. The Company has only defined or delineated reserves at its Donlin Creek projects and none of its properties are currently under development. The future development of any properties found to be economically feasible will require obtaining permits, financing and construction. The Company is subject to all the risks associated with establishing

Management's Discussion and Analysis

new mining operations. In addition, there is no assurance that the Company's mineral exploration activities will result in any discoveries of new bodies of ore. There is also no assurance that if further mineralization is discovered that the ore body would be economical for commercial production. Discovery of mineral deposits is dependent upon a number of factors and significantly influenced by the technical skill of the exploration personnel involved. The commercial viability of a mineral deposit is also dependent upon a number of factors that are beyond the Company's control. Some of these factors are the attributes of the deposit, commodity prices, government policies and regulation and environmental protection.

Environmental laws and regulations

All of the Company's exploration and production activities in Canada and the United States are subject to regulation by governmental agencies under various environmental laws. To the extent that the Company conducts exploration activities or undertakes new mining activities in other foreign countries, the Company will also be subject to environmental laws and regulations in those jurisdictions. These laws address emissions into the air, discharges into water, management of waste, management of hazardous substances, protection of natural resources, antiquities and endangered species, and reclamation of lands disturbed by mining operations. Environmental legislation in many countries is evolving and the trend has been toward stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and increasing responsibility for companies and their officers, directors and employees. Compliance with environmental laws and regulations may require significant capital outlays on behalf of the Company and may cause material changes or delays in the Company's intended activities. There can be no assurance that future changes in environmental regulations will not adversely affect the Company's business, and it is possible that future changes in these laws or regulations could have a significant adverse impact on some portion of the Company's business, causing the Company to re-evaluate those activities at that time.

In February and March, 2011, the Company's wholly-owned subsidiary AGC received a total of 3 citations and orders from the Mine Safety Health Administration ("MSHA") alleging certain violations of U.S. Federal mine safety laws under the Federal Mine Safety and Health Act of 1977 (the "Mine Safety Act") at the Rock Creek project. MSHA issued a 104(a) citation to AGC on February 25, 2011, for an alleged minor paperwork violation for failing to include a required paragraph in a report. The proposed penalty for this minor alleged violation is \$100. MSHA issued two 104(a) citations to AGC on March 10, 2011 for AGC's alleged failure to post adequate warning signs and to conduct gas, mist, and dust surveys for an area of the mine. No penalty has yet been assessed for these violations; however, the estimated amount is between \$800 to \$5,800. AGC intends to contest these citations, and has requested a conference with MSHA to discuss these citations further. Citations under Section 104(a) are issued for situations in which the MSHA inspector determines that the operator has violated the Mining Act or any mandatory health or safety standard, rule, order or regulations promulgated pursuant to the Act.

Reserve and resource estimates

There is a degree of uncertainty attributable to the calculation of reserves and resources and the corresponding grades. Reserve and resource estimates are dependent partially on statistical inferences drawn from drilling, sampling and other data. Reserve and resource figures set forth by the Company are estimates, and there is no certainty that the mineral deposits would yield the production of metals indicated by reserve and resource estimates. Declines in the market price for metals may adversely affect the economics of a deposit and may require the Company to reduce its reserve and resource estimates. As defined by the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) and included by reference in National Instrument 43-101, NovaGold records Proven and Probable Reserves at its projects upon completion of a pre-feasibility or feasibility level study that demonstrates the economics of developing the mineral deposit. This policy is generally adopted by Canadian mining companies, but differs from the United States policy of recognizing Proven and Probable Reserves once the majority of major development permits have been received.

Price volatility – gold, copper and other metals

The market price for gold, copper and other metals is volatile and cannot be controlled. There is no assurance that if commercial quantities of gold, copper and other metals are discovered, a profitable market may exist or continue to exist for a production decision to be made or for the ultimate sale of the metals. As the Company is currently not in production, no sensitivity analysis for price changes has been provided or carried out.

Electrum Strategic Resources LLC is the Company's majority shareholder and has the ability to significant influence the Company.

Through its existing shareholding in the Company and the rights it holds to acquire additional Common Shares, Electrum Strategic Resources LLC ("Electrum") has the ability to exercise voting power to significant influence in determining the outcome of any corporate transaction or other matter submitted to the shareholders for approval, including mergers, consolidations and the

Management's Discussion and Analysis

sale of all or substantially all of the Company's assets and other significant corporate actions. Unless full participation of all shareholders takes place in such shareholder meetings, Electrum may be able to approve such matters itself. Without the consent of Electrum, the Company could be prevented from entering into transactions that are otherwise beneficial to the Company. The interests of Electrum may differ from the interests of the Company's other shareholders.

Legal proceedings

On July 15, 2009, two claims were filed in the United States District Court for the District of Alaska against NovaGold, AGC and other parties arising out of an accident on July 19, 2007, where two employees of a contractor were killed in a construction-related accident at the Company's Rock Creek project. The claims are seeking wrongful death damages in excess of US\$2.5 million. The Company and AGC filed an answer to the complaint denying all allegations and asserting certain affirmative defenses. The Company and AGC have disputed these claims and believe they have substantial and meritorious legal and factual defenses, which they intend to pursue vigorously. Indeed, the claims against AGC had been dismissed by agreement without payment of any money. However, there can be no assurance that these proceedings will be resolved in favor of NovaGold.

Increased Regulatory Compliance Costs Relating to Dodd-Frank

In July 2010, the "Dodd-Frank Wall Street Reform and Consumer Protection Act" ("Dodd-Frank Act") was enacted, representing an overhaul of the framework for regulation of U.S. financial markets. The Dodd-Frank Act calls for various regulatory agencies, including the U.S. Securities and Exchange Commission ("SEC") and the Commodities Futures Trading Commission, to establish regulations for implementation of many of the provisions of the Dodd-Frank Act, and the Company anticipates that these new regulations will provide additional clarity regarding the extent of the impact of this legislation on NovaGold. The Dodd-Frank Act also requires companies in the mining industry to disclose in their periodic reports filed with the SEC substantial additional information about safety issues relating to their mining operations. The Company may also incur additional costs associated with the Company's compliance with the new regulations and anticipated additional reporting and disclosure obligations. While the Company is not able to assess the full impact of the Dodd-Frank Act until all the implementing regulations have been adopted, based on the information available to the Company at this time, the Company does not believe provisions of the regulations implementing the Dodd-Frank Act will have a material adverse effect on the Company's financial position, results of operations or cash flows.

Cautionary notes

Forward-looking statements

This Management's Discussion and Analysis contains certain forward-looking statements concerning anticipated developments in NovaGold's operations in future periods. Forward-looking statements are frequently, but not always, identified by words such as "expects", "anticipates", "believes", "intends", "estimates", "potential", "possible" and similar expressions, or statements that events, conditions or results "will", "may", "could" or "should" occur or be achieved. These forward-looking statements are set forth principally under the heading "Outlook" and elsewhere in the Management's Discussion and Analysis and may include statements regarding perceived merit of properties; ability to commence, or in the case of Rock Creek, seek shareholder value from its properties; exploration results and budgets; mineral reserve and resource estimates; work programs; capital expenditures; timelines; strategic plans; the completion of transactions; market price of precious and base metals; possible outcome or merits of litigation; or other statements that are not statements of fact. Forward-looking statements are statements about the future and are inherently uncertain, and actual achievements of NovaGold may differ materially from those reflected in the forward-looking statements due to a variety of risks, uncertainties and other factors. NovaGold's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and NovaGold does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change except as required by law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements. Important factors that could cause actual results to differ materially from NovaGold's expectations include uncertainties involved in disputes and litigation; fluctuations in gold, copper and other commodity prices and currency exchange rates; uncertainties relating to interpretation of drill results and the geology, continuity and grade of mineral deposits; uncertainty of estimates of capital and operating costs, recovery rates, production estimates and estimated economic return; the need for cooperation of Barrick and Teck to advance the Donlin Creek and Galore Creek projects, respectively; the need for cooperation of government agencies and native groups in the exploration and development of properties and the issuance of required permits; the need to obtain additional financing to develop properties and uncertainty as to the availability and terms of future financing; the possibility of delay in exploration or development programs or in construction projects and uncertainty of meeting anticipated program milestones; uncertainty as to timely availability of permits and other governmental approvals; and other risks and uncertainties disclosed here in under the heading "Risk Factors" and in NovaGold's Annual Information Form for the year ended November 30, 2010, filed with the Canadian

Management's Discussion and Analysis

securities regulatory authorities, NovaGold's annual report on Form 40-F filed with the United States Securities and Exchange Commission (the "SEC"), and other information released by NovaGold and filed with the appropriate regulatory agencies.

Reserve and resource estimates

This Management's Discussion and Analysis and other information released by NovaGold uses the terms "resources", "measured resources", "indicated resources" and "inferred resources". United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the SEC does not recognize them. Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Mineral resources that are not mineral reserves do not have demonstrated economic viability. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Inferred resources are in addition to measured and indicated resources. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all reserve and resource estimates contained in this Management's Discussion and Analysis and in press releases by the Company in the past and in the future, have been or will be prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System. The requirements of NI 43-101 are not the same as those of the SEC, and reserves reported by NovaGold in compliance with NI 43-101 may not qualify as reserves under the SEC's standards.

Consolidated Balance Sheets – Unaudited

in thousands of Canadian dollars

	February 28, 2011 \$	November 30, 2010 \$
Assets		
Current assets		
Cash and cash equivalents	129,284	151,723
Accounts receivable	832	1,037
Inventories (note 4)	8,110	8,120
Deposits and prepaid amounts	2,175	1,938
Deferred charges	950	-
	141,351	162,818
Accounts receivable	134	142
Land	1,876	1,876
Property, plant and equipment (note 5)	346,855	346,777
Mineral properties, rights and development costs (note 6)	213,812	266,408
Investments (note 7)	9,843	7,362
Investment tax credits	3,271	3,271
Reclamation deposits	12,708	13,086
	729,850	801,740
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	9,717	9,654
Current portion of asset retirement obligations	7,890	7,890
Current portion of capital lease obligation	698	698
Notes payable	10,983	12,245
	29,288	30,487
Long-term liabilities		
Promissory note (note 7(b))	60,424	63,034
Convertible notes (note 8)	59,907	61,882
Capital lease obligations	198	369
Asset retirement obligations	15,967	15,967
Future income taxes	96	7,193
Other liabilities	189	11,594
	166,069	190,526
Shareholders' equity		
Share capital (note 9)	1,092,669	1,077,219
Equity component of convertible notes (note 8)	43,352	43,352
Contributed surplus	8,629	8,629
Stock-based compensation (note 9)	33,564	30,589
Warrants (note 9)	24,391	28,488
Deficit	(927,258)	(875,807)
Accumulated other comprehensive income	2,746	1,452
Non-controlling interest (note 3)	285,688	297,292
	563,781	611,214
	729,850	801,740
Nature of operations (note 1)		
Commitments and contingencies (note 12)		

(See accompanying notes to consolidated financial statements)

/s/ Rick Van Nieuwenhuysse, Director
Approved by the Board of Directors

/s/ James Philip, Director

Consolidated Statements of Operations and Deficit – Unaudited

*in thousands of Canadian dollars,
except for per share and share amounts*

	Three months ended February 28, 2011 \$	Three months ended February 28, 2010 \$
Revenue		
Land, gravel, gold and other revenue	16	26
Interest income	137	85
	153	111
Cost of sales	50	40
	103	71
Expenses and other items		
Corporate development and communication	108	217
Equity loss (note 7)	4,621	2,487
Foreign exchange (gain) loss	(993)	121
General and administrative	822	858
Interest and accretion	3,732	3,661
Mineral property expense	2,568	219
Professional fees	333	733
Project care and maintenance	5,046	7,876
Salaries	2,469	1,275
Salaries – stock-based compensation (note 9 (c) and (d))	3,538	2,091
Total expenses	22,244	19,538
Loss before other items	(22,141)	(19,467)
Other items		
Asset impairment – power transmission rights (note 6)	52,668	-
	52,668	-
Loss for the period before income taxes	(74,809)	(19,467)
Future income tax recovery – power transmission rights (note 6)	(9,722)	-
Future income tax expense (recovery)	2,269	(55)
Loss for the period	(67,356)	(19,412)
Attributable to the shareholders of the Company	(51,451)	(18,717)
Attributable to non-controlling interest		
Power transmission rights (note 3 and 6)	(13,779)	-
Operating expenses (note 3)	(2,126)	(695)
	(67,356)	(19,412)
Loss for the period – attributable to the shareholders of the Company	(51,451)	(18,717)
Deficit – beginning of period	(875,807)	(672,258)
Deficit – end of period	(927,258)	(690,975)
Loss per share – attributable to the shareholders of the Company		
Basic and diluted	(0.22)	(0.10)
Weighted average number of shares (thousands)	232,084	187,867

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Comprehensive Loss – Unaudited

in thousands of Canadian dollars

	Three months ended February 28, 2011 \$	Three months ended February 28, 2010 \$
Net loss for the period before other comprehensive income	(67,356)	(19,412)
Unrealized gain (loss) on available-for-sale investments	1,650	(231)
Future income tax (expense) recovery	(356)	90
Comprehensive loss	(66,062)	(19,553)
Attributable to the shareholders of the Company	(50,157)	(18,858)
Attributable to the non-controlling interest (note 3)	(15,905)	(695)
	(66,062)	(19,553)

Consolidated Statements of Changes in Shareholders' Equity – Unaudited

in thousands of Canadian dollars

	Three months ended February 28, 2011 \$	Year ended November 30, 2010 \$
Share capital		
Balance – beginning of period	1,077,219	878,086
Issued pursuant to private placement net of share issue costs	-	179,000
Issued pursuant to stock options exercised	661	3,991
Issued pursuant to warrants exercised	14,789	9,549
Issued pursuant to performance share units vested	-	1,426
Issued pursuant to property acquisition	-	5,167
Balance – end of period	1,092,669	1,077,219
Equity component of convertible notes		
Balance – beginning of period	43,352	43,352
Balance – end of period	43,352	43,352
Contributed surplus		
Balance – beginning of period	8,629	9,994
Excess value over fair value of performance share unit (note 10 (c))	-	(1,365)
Balance – end of period	8,629	8,629
Stock-based compensation		
Balance – beginning of period	30,589	31,838
Stock option vesting	3,068	3,738
Performance share unit vesting	474	1,352
Director share unit grants	33	101
Transfer to share capital on exercise of stock options	(600)	(3,991)
Transfer to share capital on issuance of performance share units	-	(2,449)
Balance – end of period	33,564	30,589
Warrants		
Balance – beginning of period	28,488	31,065
Fair value of warrant exercises	(4,097)	(2,577)
Balance – end of period	24,391	28,488
Deficit		
Balance – beginning of period	(875,807)	(672,258)
Loss for the period – attributable to the shareholders of the Company	(51,451)	(203,549)
Balance – end of period	(927,258)	(875,807)
Accumulated other comprehensive income		
Balance – beginning of period	1,452	495
Unrealized gains on available-for-sale investments	1,650	994
Future income taxes on unrealized gains	(356)	(37)
Balance – end of period	2,746	1,452
Total shareholders' equity	276,490	313,922
Non-controlling interest (note 3)		
Balance – beginning of period	297,292	293,247
Contributions by Teck Resources Limited	4,301	12,058
Loss for the period – attributable to the non-controlling interest	(15,905)	(8,013)
Balance – end of period	285,688	297,292
Total equity	563,781	611,214

(See accompanying notes to consolidated financial statements)

Consolidated Statements of Cash Flows – Unaudited

in thousands of Canadian dollars

	Three months ended February 28, 2011 \$	Three months ended February 28, 2010 \$
Cash flows used in operating activities		
Loss for the period	(67,356)	(19,412)
Items not affecting cash		
Amortization	41	74
Asset impairment – power transmission rights (note 6)		
Impairment charge	52,668	-
Future income tax recovery	(9,722)	-
Equity loss	4,621	2,487
Future income tax expense (recovery)	2,269	(54)
Interest and accretion	3,732	3,662
Mineral properties expense	36	176
Stock-based compensation	3,538	2,092
Unrealized foreign exchange gain	(7,751)	(90)
Net change in non-cash working capital		
Increase in receivables, deposits and prepaid amounts, and deferred charges	(982)	(145)
Decrease in inventories	10	59
Decrease in accounts payable and accrued liabilities	(1,133)	(5,116)
	(20,029)	(16,267)
Cash flows from financing activities		
Proceeds from issuance of common shares – net	60	-
Proceeds from non-controlling interest	4,301	-
Proceeds from warrant exercise	10,693	248
Payment of note payable	(11,921)	-
	3,133	248
Cash flows used in investing activities		
Acquisition of property, plant and equipment	(32)	(163)
Expenditures on mineral properties and related deferred costs	(72)	(559)
Decrease in accounts receivable	8	-
Investment in Donlin Creek	(5,447)	(3,582)
	(5,543)	(4,304)
Decrease in cash and cash equivalents during the period	(22,439)	(20,323)
Cash and cash equivalents – beginning of period	151,723	38,180
Cash and cash equivalents – end of period	129,284	17,857
Supplemental disclosure		
Interest received	134	85
Interest paid	-	7

(See accompanying notes to consolidated financial statements)

Notes to Consolidated Financial Statements

1 Nature of operations

NovaGold Resources Inc. (“NovaGold” or “the Company”) is a precious metals company engaged in the exploration and development of mineral properties located primarily in Alaska, U.S.A. and British Columbia, Canada.

The Donlin Creek project in Alaska is held by a limited liability company owned equally by NovaGold and Barrick Gold U.S. Inc. (“Barrick”). The Galore Creek project is held by a partnership owned equally by NovaGold and Teck Resources Limited (“Teck”).

2 Accounting policies

Basis of presentation

These consolidated financial statements have been prepared using accounting principles generally accepted in Canada (“Canadian GAAP”) and include the accounts of NovaGold Resources Inc. and its subsidiaries, NovaGold Canada Inc., Alaska Gold Company (“AGC”) and NovaGold Resources Alaska, Inc. All significant intercompany transactions are eliminated on consolidation. In addition, the Company consolidates variable interest entities for which it is determined to be the primary beneficiary.

As these unaudited interim consolidated financial statements do not contain all of the disclosures required by Canadian GAAP for complete financial statements, they should be read in conjunction with the notes to the Company’s audited consolidated financial statements for the year ended November 30, 2010.

The accounting policies followed by the Company are set out in note 2 to the audited consolidated financial statements for the year ended November 30, 2010, and have been consistently followed in the preparation of these consolidated financial statements.

Business Combinations

In January 2009, the CICA issued CICA Handbook Section 1582, “Business Combinations”, which replaces former guidance on business combinations. Section 1582 establishes principles and requirements of the acquisition method and related disclosures. In addition, the CICA issued Section 1601, “Consolidated Financial Statements”, and Section 1602, “Non-controlling Interests”, which replace the existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements and Section 1602 provides guidance on accounting for non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. The Company has adopted these pronouncements at December 1, 2010; the result of this adoption led to the non-controlling interest balance being classified as shareholders’ equity on the consolidated balance sheet and loss attributable to non-controlling interest on the statement of operations and deficit.

3 Galore Creek Partnership

The Company determined that the Galore Creek Partnership is a variable interest entity and consequently uses the principles of Accounting Guideline 15 (“AcG-15”) Consolidation of Variable Interest Entities to determine the accounting for its ownership interest. Management concluded that the Company is the primary beneficiary and consolidates the activities of the Galore Creek Partnership.

The Galore Creek Partnership was formed in May 2007, with Teck able to earn a 50% interest in the Galore Creek project by funding approximately \$520.0 million in project development costs. The Galore Creek Partnership funding arrangement was amended following the November 2007 decision to suspend construction activities at the project, and again in February 2009. Under the terms of the current agreement, Teck is funding all costs for the Galore Creek project up to approximately \$373.3 million, at which point the partners will share project costs on a 50/50 basis. At February 28, 2011, the Galore Creek Partnership had cash of \$1.5 million. Total cash contributions to date by Teck at February 28, 2011 were \$364.4 million and \$8.9 million remained to be contributed by Teck to earn its 50% interest. During the quarter ended February 28, 2011, Teck contributed \$4.3 million to the Galore Creek Partnership; its share of expenses was \$2.1 million and its share of impairment costs was \$13.8 million for a total of \$17.5 million.

Notes to Consolidated Financial Statements

4 Inventories

in thousands of Canadian dollars

	February 28, 2011	November 30, 2010
	\$	\$
Gold	522	519
Supplies	7,588	7,601
Total inventories	8,110	8,120

5 Property, plant and equipment

in thousands of Canadian dollars

February 28, 2011			
	Cost	Accumulated	Net
	\$	amortization	\$
		\$	
British Columbia, Canada			
Construction costs – Galore Creek (a)	318,877	-	318,877
Mobile equipment – Galore Creek (a)	26,651	-	26,651
Office furniture and equipment	2,636	(1,595)	1,041
Leasehold improvements	628	(342)	286
	348,792	(1,937)	346,855

in thousands of Canadian dollars

November 30, 2010				
	Cost	Accumulated	Impairment	Net
	\$	amortization	\$	\$
		\$		
Alaska, USA				
Construction costs – Rock Creek	90,519	-	(90,519)	-
Mining and milling equipment – Rock Creek	15,342	-	(15,342)	-
Heavy machinery and equipment – Rock Creek	1,680	(570)	(1,110)	-
Building	297	(161)	(136)	-
British Columbia, Canada				
Construction costs – Galore Creek (a)	318,877	-	-	318,877
Mobile equipment – Galore Creek (a)	26,651	-	-	26,651
Office furniture and equipment	2,506	(1,505)	-	1,001
Leasehold improvements	575	(327)	-	248
	456,447	(2,563)	(107,107)	346,777

- (a) Construction costs and mobile equipment had not yet been placed in productive activity, and accordingly were not depreciated.

Notes to Consolidated Financial Statements

6 Mineral properties, rights and development costs

in thousands of Canadian dollars

	November 30, 2010 \$	Expenditures (Amortization) \$	Impairment \$	February 28, 2011 \$
Alaska, USA				
Ambler	27,437	-	-	27,437
British Columbia, Canada				
Galore Creek	185,855	406	-	186,261
Power transmission rights (a)	53,002	(334)	(52,668)	-
Argentina				
San Roque	114	-	-	114
	266,408	72	(52,668)	213,812

in thousands of Canadian dollars

	November 30, 2009 \$	Expenditures (Amortization) \$	Impairment \$	November 30, 2010 \$
Alaska, USA				
Ambler	-	27,437	-	27,437
Rock Creek	8,395	868	(9,263)	-
British Columbia, Canada				
Galore Creek	184,400	1,455	-	185,855
Power transmission rights	54,335	(1,333)	-	53,002
Argentina				
San Roque	-	114	-	114
	247,130	28,541	(9,263)	266,408

- (a) In May 2006, NovaGold acquired Coast Mountain Power Corp. and all of its assets, which included the power transmission rights to build a 138kV power line from Meziadin Junction to Bob Quinn to bring power to the Galore Creek project. In 2010, the Canadian Federal and British Columbia Provincial Governments announced their intention to build a high-capacity 287-kV transmission line ("NTL") in northwestern British Columbia that would follow roughly the same route from Meziadin Junction to Bob Quinn. In late February 2011, the NTL project received provincial environmental assessment approval; hence NovaGold will not need to build its own transmission line to bring power to the Galore Creek project, and management has accordingly impaired the full value of the 138kV power transmission rights of \$52.7 million and recorded a related future income tax recovery of \$9.7 million and a corresponding offset to non-controlling interest for the impairment in the amount of \$13.8 million.

7 Investments

in thousands of Canadian dollars

	February 28, 2011 \$	November 30, 2010 \$
Available-for-sale investments (a)	7,319	5,665
Investments accounted for under the equity method		
Donlin Creek LLC (b)	2,524	1,697
Total investments	9,843	7,362

Investment in Donlin Creek LLC accounted for using the equity method as follows.

in thousands of Canadian dollars

	February 28, 2011 \$	November 30, 2010 \$
Balance – beginning of period	1,697	849
Funding	5,448	21,721
Equity loss	(4,621)	(20,873)
Balance – end of period	2,524	1,697

Notes to Consolidated Financial Statements

- (a) Investments classified as available-for-sale are reported at fair value (or mark-to-market) based on quoted market prices, with unrealized gains or losses excluded from earnings and reported as other comprehensive income or loss. The total cost as at February 28, 2011 was \$4.2 million (November 30, 2010: \$4.2 million) and total unrealized holding gain for the three months ended February 28, 2011 was \$1.6 million (November 30, 2010: \$1.0 million). The balance includes 11,801 shares of Endeavour Mining Corp. (cost: \$5,000; fair value at February 28, 2011: \$33,000); 3,125,000 shares in TintinaGold Resources Inc. (cost: \$1.4 million; fair value at February 28, 2011: \$3.4 million), a company having one director and a major shareholder in common with the Company; and 3,125,000 shares in AsiaBaseMetals Inc. (cost: \$0.2 million; fair value at February 28, 2011: \$1.1 million), a company having one director and a major shareholder in common with the Company.
- (b) On December 1, 2007, together with Barrick, the Company formed a limited liability company (“Donlin Creek LLC”) to advance the Donlin Creek project. The Donlin Creek LLC has a board of four directors, with two nominees selected by each company. All significant decisions related to Donlin Creek require the approval of both companies. As part of the Donlin Creek LLC agreement, the Company agreed to reimburse Barrick over time approximately US\$64.3 million, representing 50% of Barrick’s approximately US\$128.6 million in expenditures at the Donlin Creek project from April 1, 2006 to November 30, 2007. Reimbursement had been partially made by the Company paying US\$12.7 million of Barrick’s share of project development costs during 2008. A promissory note for the remaining US\$51.6 million plus interest at a rate of U.S. prime plus 2% will be paid out of future mine production cash flow. Both parties are currently sharing development costs on a 50/50 basis. Interest on this long-term debt is expensed.

The Company determined that the Donlin Creek LLC is a variable interest entity and consequently used the principles of AcG-15 Consolidation of Variable Interest Entities to determine the accounting for its 50% ownership interest. Management concluded that the Company is not the primary beneficiary and has accounted for its investment in the Donlin Creek LLC using the equity method of accounting. The equity method is a basis of accounting for investments whereby the investment is initially recorded at cost and the carrying value, adjusted thereafter to include the investor’s pro rata share of post-acquisition earnings of the investee, is computed by the consolidation method. Profit distributions received or receivable from an investee reduce the carrying value of the investment.

8 Convertible notes

On March 26, 2008, the Company issued US\$95.0 million (Canadian equivalent: \$96.7 million) in 5.5% unsecured senior convertible notes (“Notes”) maturing on May 1, 2015, and incurred a 3% underwriter’s fee and other expenses aggregating \$3.5 million, for net proceeds of \$93.2 million. Interest is payable semi-annually in arrears on May 1 and November 1 of each year, beginning November 1, 2008. The Notes are convertible into the Company’s common shares at a fixed conversion rate of US\$10.61 per common share. A total of 8,952,971 common shares are issuable upon conversion and additional shares may become issuable following the occurrence of certain corporate acts or events. On conversion, at the Company’s election, holders of the Notes will receive cash, if applicable, or a combination of cash and shares. Holders of the Notes have the right to require the Company to repurchase all or part of their Notes on May 1, 2013, or upon certain fundamental corporate changes, at a price equal to 100% of the principal amount of such Notes plus any accrued and unpaid interest.

The Notes are classified as a liability. The fair value of the conversion feature on the date of issue (\$43.4 million) is classified as a component of shareholders’ equity and was deducted from the initial amount of the liability recorded. As a result, the recorded liability to repay the Notes was initially lower than its face value. Using the effective interest rate method and the 17.78% rate implicit in the calculation, the difference of \$43.4 million, characterized as the note discount, is being charged to interest expense and added to the liability over the term of the Notes.

	<i>in thousands of Canadian dollars</i>	
	February 28, 2011	November 30, 2010
	\$	\$
Beginning balance	61,882	58,553
Accretion of debt discount for the period	1,388	4,975
Foreign exchange revaluation	(3,363)	(1,646)
Convertible notes liability	59,907	61,882
Conversion right	44,992	44,992
Financing costs allocated to equity component	(1,640)	(1,640)
Equity component of convertible notes	43,352	43,352

Notes to Consolidated Financial Statements

9 Share capital

Authorized

- 1,000,000,000 common shares, no par value
- 10,000,000 preferred shares issuable in one or more series

in thousands of Canadian dollars

	Number of shares (thousands)	Ascribed value \$
Balance at November 30, 2010	225,992	1,077,220
Issued in quarter		
For cash and fair value pursuant to stock option agreements	242	662
For cash and fair value pursuant to warrant agreements	7,100	14,789
Balance at February 28, 2011	233,334	1,092,671
Shares held by a wholly-owned subsidiary eliminated on consolidation	9	-
Total issued and outstanding	233,343	1,092,671

(a) Warrants

In December 2010, 7.1 million warrants were exercised for total proceeds of \$10.7 million, which resulted in 42.2 million warrants outstanding at the end of the first quarter. During the quarter, an agreement was entered into between the Company and the holder of 37.1 million warrants to amend the currency that the exercise price is denominated in from U.S. dollars to Canadian dollars. The exercise price was amended from US\$1.50 to \$1.479 at the prevailing spot rate on the date of the agreement. The terms of the remaining 5.1 million warrants are unchanged.

(b) Stock options

The Company has a stock option plan providing for the issuance of options at a rolling maximum number that shall not be greater than 10% of the issued and outstanding common shares of the Company at any given time. The Company may grant options to its directors, officers, employees and service providers. The exercise price of each option cannot be lower than the market price of the shares at the date of the option grant. The number of shares optioned to any single optionee may not exceed 5% of the issued and outstanding shares at the date of grant. The options are exercisable for a maximum of five years from the date of grant, and may be subject to vesting provisions. The Company recognizes compensation cost on a straight-line basis over the respective vesting period for the stock options.

During the three months ended February 28, 2011, the Company granted 1,064,700 stock options (three months ended February 28, 2010: 1,237,000). For the three months ended February 28, 2011, the Company recognized a stock-based compensation charge against income of \$3.0 million for options granted to directors, employees and consultants in accordance with CICA 3870, net of forfeitures.

The fair value of the stock options recognized in the consolidated statements of operations and deficit has been estimated using an option pricing model. Assumptions used in the pricing model for each year are provided below.

	Vested during three months ended February 28, 2011	Granted during three months ended February 28, 2011
Average risk-free interest rate	0.50% – 1.76%	2.00%
Expected life	1.00 – 3.71 years	2.50 years
Expected volatility	65% – 97%	75%
Expected dividends	Nil	Nil

The Black-Scholes and other option pricing models require the input of highly subjective assumptions. The expected life of the options considered such factors as the average length of time similar option grants in the past have remained outstanding prior to exercise and the vesting period of the grants. Volatility was estimated based upon historical price observations over the expected term. Changes in the subjective input can materially affect the fair value estimate and therefore do not necessarily provide a reliable measure of the fair value of the Company's stock options.

Notes to Consolidated Financial Statements

(c) Performance share units

The Company has a performance share unit (“PSU”) plan that provides for the issuance of PSUs in amounts as approved by the Company’s Compensation Committee. Each PSU entitles the participant to receive that number of common shares of the Company at the end of a specified period set by the Compensation Committee to be determined by the achievement of certain performance and vesting criteria. The performance and vesting criteria are based on the Company’s performance relative to a representative group of other mining companies and the Toronto Stock Exchange index. The actual performance against each of these criteria generates a multiplier that varies from 0% to 150%. Thus, the shares that may be issued vary between 0% and 150% of the number of PSUs granted, as reduced by the amounts for recipients no longer at the Company on vesting date.

For the three months ended February 28, 2011, the Company recognized a stock-based compensation charge against income of \$0.5 million for PSUs vested to employees in accordance with CICA 3870, net of forfeitures.

(d) Deferred share units

The Company has a deferred share unit (“DSU”) plan that provides for the issuance of DSUs in amounts ranging from 50% to 100% of directors’ annual retainers at the election of the directors. Each DSU entitles the directors to receive one common share when they retire from the Company.

For the three months ended February 28, 2011, the Company recognized a stock-based compensation charge against income of \$0.03 million for DSUs granted to directors.

10 Related party transactions

The Company has arms-length market-based agreements to provide certain services to TintinaGold Resources Inc. (“TintinaGold”) and Alexco Resource Corp (“Alexco”). During the three months ended February 28, 2011, the services provided were \$2,000 (2010: \$10,000) to TintinaGold, a related party having one director and a major shareholder in common with the Company; and \$4,000 (2010: \$10,000) to Alexco, a related party having two directors in common with the Company. The Company also provided exploration and management services totaling US\$0.4 million for the three months ended February 28, 2011 (2010: US\$0.4 million) to the Donlin Creek LLC. These transactions were in the normal course of business and are measured at the exchange amount, which is the amount agreed to by the parties. At February 28, 2011, the Company had \$0.4 million receivable (November 30, 2010: \$0.2 million) from related parties.

11 Segmented information

The Company’s revenues and cost of sales from external customers are generated from one reportable operating segment: sales from land and gravel and gold royalties from the Company’s operations located in Nome, Alaska. The majority of the Company’s property, plant and equipment and exploration assets are located in the United States and Canada and the geographical breakdown is shown in notes 5 and 6.

12 Commitments and contingencies

(a) Lease commitments

As at February 28, 2011, the Company’s aggregate commitments for operating leases totaled \$4.4 million. These include the Company’s leased head office location and certain office equipment with leases ranging from one to seven years.

(b) Legal actions

On July 15, 2009, two claims were filed in the United States District Court for the District of Alaska against NovaGold, AGC and other parties arising out of an accident on July 19, 2007, where two employees of a contractor were killed in a construction-related accident at the Company’s Rock Creek project. The claims are seeking wrongful death damages in excess of US\$2.5 million. The Company and AGC filed an answer to the complaint denying all allegations and asserting certain affirmative defenses. The Company and AGC have disputed these claims and believe they have substantial and meritorious legal and factual defenses, which they intend to pursue vigorously. Indeed, the claims against AGC have been dismissed by agreement without payment of any money. However, there can be no assurance that these proceedings will be resolved in favor of NovaGold.

Notes to Consolidated Financial Statements

13 Subsequent events

On March 7, 2011, the Company and Copper Canyon Resources Ltd (“Copper Canyon”) entered into a binding letter agreement (“Letter Agreement”) providing for the Company to acquire all outstanding common share of Copper Canyon by way of a plan of arrangement (“Arrangement”). The Letter Agreement was superseded by an arrangement agreement dated March 18, 2011. Under the Arrangement, Copper Canyon shareholders will receive common shares of NovaGold on the basis of 0.0735 of a NovaGold common share for each common share of Copper Canyon, plus one common share of a newly incorporated company (“SpinCo”) for every four Copper Canyon common shares. SpinCo will hold substantially all of Copper Canyon’s assets other than certain cash and Copper Canyon’s 40% joint venture interest in the Copper Canyon copper-gold-silver property, which will remain with Copper Canyon. The remaining 60% joint venture interest in the Copper Canyon copper-gold-silver property is held by a wholly-owned subsidiary of NovaGold.

On March 14, 2011, the Company entered into an agreement to sell its alluvial gold properties comprising 11,500 acres of fee-simple United States patented mining claims near Nome, Alaska. The claims were held by AGC. Nome Gold Alaska Corp. will pay AGC US\$21.0 million in three installments, and will also provide a letter of credit for US\$4.0 million as an environmental reclamation bond.

Appendix – Reserve & Resource Table

NovaGold Resources Inc.
Proven and Probable Reserves, Measured, Indicated and Inferred Resources for Gold (Au), Silver (Ag), Copper (Cu), Zinc (Zn) and Lead (Pb)
As at February 22, 2011

Reserves

Property % Ownership	Reserve Category	Tonnes Millions	In Situ Grade					Total Contained Metal					NovaGold Share Net After Earn-Ins					
			Au g/t	Ag g/t	Cu %	Zn %	Pb %	Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb	Moz Au	Moz Ag	Moz AuEq	Mlbs Cu	Mlbs Zn	Mlbs Pb
Donlin Creek (1) approximately 0.74 g/t Au Cutoff 50% Ownership - 50% Owned by Barrick Gold U.S. Inc.	Proven	7.0	2.46				0.55					0.28		0.28				
	Probable	460.7	2.23				33.04					16.52		16.52				
	Total P&P	467.7	2.23				33.59					16.80		16.80				

Resources (exclusive of Reserves)

Property % Ownership	Resource Category	Tonnes Millions	In Situ Grade					Total Contained Metal					NovaGold Share Net After Earn-Ins						
			Au g/t	Ag g/t	Cu %	Zn %	Pb %	Moz Au	Moz Ag	Mlbs Cu	Mlbs Zn	Mlbs Pb	Moz Au	Moz Ag	Moz AuEq	Mlbs Cu	Mlbs Zn	Mlbs Pb	
Donlin Creek (2)(3) approximately 0.74 g/t Au Cutoff 50% Ownership - 50% Owned by Barrick Gold U.S. Inc.	Measured	0.2	6.61				0.04					0.02		0.02					
	Indicated	39.6	3.34				7.21	122.42	8,872.3			2.13		2.13					
	Total M&I	39.8	3.36				4.29					2.15		2.15					
	Inferred	58.4	2.35				4.41				2.21		2.21						
Galore Creek (2)(4) 0.21% CuEq Cutoff 50% Ownership - 50% Owned by Teck Resources Limited	Measured	4.7	0.37	4.41	0.52		0.06	0.67	54.1			0.03	0.34	0.04	27.0				
	Indicated	781.0	0.29	4.88	0.52		7.21	122.42	8,872.3			3.61	61.21	4.62	4,436.1				
	Total M&I	785.7	0.29	4.87	0.52		7.27	123.09	8,926.3			3.64	61.55	4.66	4,463.2				
	Inferred	357.7	0.18	3.69	0.36		2.06	42.49	2,858.3			1.03	21.24	1.38	1,429.1				
Copper Canyon (2)(5) 0.6% CuEq Cutoff 60% Ownership - 40% Owned by Copper Canyon Resources Inc.	Inferred	53.7	0.73	10.60	0.50		1.26	18.36	592.0			0.76	11.02	0.94	355.2				
	Total Inferred	411.4	0.25	4.60	0.38		3.32	60.85	3,450.3			1.78	32.26	2.32	1,784.3				
Ambler (2)(6) \$100 Gross Metal Value / Tonne Cutoff 100% Ownership	Measured																		
	Indicated	16.8	0.83	59.63	4.14	6.03	0.94	0.45	32.29	1,538.2	2,237.1	350.3	0.45	32.29	0.98	1,538.2	2,237.1	350.3	
	Total M&I	16.8	0.83	59.63	4.14	6.03	0.94	0.45	32.29	1,538.2	2,237.1	350.3	0.45	32.29	0.98	1,538.2	2,237.1	350.3	
	Inferred	11.9	0.67	48.37	3.56	4.99	0.80	0.26	18.57	936.9	1,313.1	210.0	0.26	18.57	0.57	936.9	1,313.1	210.0	
Total Proven & Probable Reserves Contained Metal							33.59					16.80		16.80					
Total Measured & Indicated Contained Metal (exclusive of Reserves)							12.01	155.38	10,464.6	2,237.1	350.3	6.23	93.83	7.79	6,001.4	2,237.1	350.3		
Total Inferred Contained Metal							7.99	79.42	4,387.2	1,113.1	210.0	4.25	50.84	5.09	2,721.3	1,313.1	210.0		

Appendix – Reserve & Resource Table

Notes:

1. These resource estimates have been prepared in accordance with National Instrument 43-101 and the Canadian Institute of Mining and Metallurgy Resource Classification System, unless otherwise noted.
2. See numbered footnotes below on resource information. Resources shown in blue are reported as net values to NovaGold after all project earn-ins.
3. AuEq - gold equivalent is calculated using gold and silver in the ratio of gold + silver + (US\$1023 Au + US\$17 Ag) 2008 - 2010 average metal prices.
4. Sums may not agree due to rounding.

Resource Footnotes:

⁽¹⁾ The basis for the cut-off grade was an assumed gold price of US\$825/oz. The new reserve estimate represents a 15% increase over the 29.3 million ounce reserve estimate contained in the 2009 technical report referenced below, and is based on the inclusion of additional drilling and a US\$100/oz increase in long-term gold price assumptions from that used in 2009. The increase in reserves is expected to extend the mine life from 21 years to 25 years at the feasibility production rate, and does not materially change the information contained in the technical report. It is believed that the additional storage capacity provided for in the 2009 feasibility study will accommodate the increase in tailings and that the waste rock storage facility can be modified to contain the additional unmineralized rock material. The Qualified Person for this reserve estimate is Kevin Francis, P.Geo., NovaGold Resources Inc.

⁽²⁾ Mineral resources that are not mineral reserves do not have demonstrated economic viability. Inferred Resources are in addition to Measured and Indicated Resources. Details of Measured and Indicated Resources and other NI 43-101 information can be found by following the links below to the relevant Technical Report. Inferred Resources have a great amount of uncertainty as to their existence and whether they can be mined legally or economically. It cannot be assumed that all or any part of the Inferred Resources will ever be upgraded to a higher category. See "Cautionary Note Concerning Reserve & Resource Estimates".

⁽³⁾ A variable cut-off grade has been estimated based on recent estimates of mining costs, processing costs (dependent upon sulfur content), selling costs and royalties. Resources are constrained within a Lerchs-Grossman (LG) open-pit shell using the long-term metal price assumption of US\$900/oz of gold, which is a US\$50/oz increase over the long-term gold price assumption used in the 2009 technical report. Assumptions for the LG shell included pit slopes variable by sector and pit area: mining cost is variable with depth, averaging US\$2.08/t mined; process cost is calculated as the percent sulfur grade x US\$2.7948 + US\$12.82; general and administrative costs, gold selling cost and sustaining capital are reflected on a per tonne basis. Based on metallurgical testing, gold recovery is assumed to be 89.5%. The Qualified Person for this resource estimate is Kevin Francis, P.Geo., NovaGold Resources Inc.

⁽⁴⁾ The copper-equivalent grade was calculated as follows:

CuEq = Recoverable Revenue + 2204.62 + US\$1.55 + Cu Recovery. Where: CuEq = Copper equivalent grade; Recoverable Revenue = Revenue in US dollars for recoverable copper, recoverable gold, and recoverable silver using metal prices of Cu US\$/lb = 1.550, Au US\$/oz = 650, Ag US\$/oz = 11. Cu Recovery = Recovery for copper based on mineral zone and total copper grade. The cutoff grade is based on assumptions of offsite concentrate and smelter charges and onsite plant recovery and is used for break-even mill feed/waste selection.

⁽⁵⁾ The copper-equivalent grade was calculated as follows: CuEq = Recoverable Revenue + 2204.62 * 100 ÷ 1.55. Where: CuEq = Copper equivalent grade; Recoverable Revenue = Revenue in US dollars for recoverable copper, recoverable gold and recoverable silver using metal prices of US\$1.55/lb, US\$650/oz, and US\$11/oz for copper, gold, and silver, respectively; Cu Recovery = 100%.

⁽⁶⁾ US\$100 gross metal value/tonne cutoff. Gross metal value was calculated based on metal prices of Cu US\$2.25/lb, Zn US\$1.05/lb, Au US\$525/oz, Ag US\$9.5/oz and Pb US\$0.55/lb applied to each individual grade. The gross metal value is equal to the sum of each grade multiplied by the value of the metal unit. No metallurgical recovery has been applied.

Cautionary Note Concerning Reserve & Resource Estimates

This summary table uses the term "resources", "measured resources", "indicated resources" and "inferred resources". United States investors are advised that, while such terms are recognized and required by Canadian securities laws, the United States Securities and Exchange Commission (the "SEC") does not recognize them. Under United States standards, mineralization may not be classified as a "reserve" unless the determination has been made that the mineralization could be economically and legally produced or extracted at the time the reserve determination is made. Mineral resources that are not mineral reserves do not have demonstrated economic viability. United States investors are cautioned not to assume that all or any part of measured or indicated resources will ever be converted into reserves. Further, inferred resources have a great amount of uncertainty as to their existence and as to whether they can be mined legally or economically. It cannot be assumed that all or any part of the inferred resources will ever be upgraded to a higher category. Therefore, United States investors are also cautioned not to assume that all or any part of the inferred resources exist, or that they can be mined legally or economically. Disclosure of "contained ounces" is permitted disclosure under Canadian regulations, however, the SEC normally only permits issuers to report "resources" as in place tonnage and grade without reference to unit measures. Accordingly, information concerning descriptions of mineralization and resources contained in this release may not be comparable to information made public by United States companies subject to the reporting and disclosure requirements of the SEC.

National Instrument 43-101 Standards of Disclosure for Mineral Projects ("NI 43-101") is a rule developed by the Canadian Securities Administrators, which established standards for all public disclosure an issuer makes of scientific and technical information concerning mineral projects. Unless otherwise indicated, all resource estimates contained in this circular have been prepared in accordance with NI 43-101 and the Canadian Institute of Mining, Metallurgy and Petroleum Classification System.

Technical Reports and Qualified Persons

The documents referenced below provide supporting technical information for each of NovaGold's projects.

Project	Qualified Person(s)	Most Recent Disclosure & Filing Date	Link to Most Recent Disclosure
Donlin Creek	Kirk Hanson P.E., AMEC Gordon Seibel M.AusIMM, AMEC Simon Allard, P.Eng. Gregory Wortman P.Eng., AMEC Alexandra Kozik P.Eng., AMEC	Donlin Creek Gold Project, Alaska, USA NI 43-101 Technical Report - April 1, 2009	http://www.novagold.com/upload/technical_reports/DonlinCreekFS.pdf
Donlin Creek	Kevin Francis, P.Geo., NovaGold Resources Inc.	March 2010 reserve and resource updates: NovaGold press release - March 22, 2010	http://novagold.com/section.asp?pageid=13238
Galore Creek	Kevin Francis, P.Geo., NovaGold Resources Inc.	Galore Creek Property NI 43-101 Technical Report - January 25, 2008	http://www.novagold.net/upload/technical_reports/GaloreCreekJan2008TechReport.pdf
Copper Canyon	Erin Workman, P.Geo., NovaGold Resources Inc.	Not publicly released - updated March 2008	http://www.novagold.net/upload/technical_reports/CopperCanyonFebruary2005.pdf
Ambler	Russ White, P.Geo., SRK Consulting Neal Rigby, C.Eng., MIMMM, Ph.D., SRK Consulting	NI 43-101 Technical Report: on Resources, Ambler Project, Arctic Deposit - January 31, 2008	http://www.novagold.net/upload/technical_reports/AmblerJan2008TechReport.pdf